



U.S. Department
of Transportation
**Federal Transit
Administration**

REGION IX
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MAY 11 2010

Ms. Cindy McKim
Chief Deputy Director
California Department of Transportation
P.O. Box 942873
Sacramento, CA 94273-0001

Re: FY 2010 FTA State Management Review – Final Report

Dear Ms. McKim:

The Federal Transit Administration (FTA) has completed the FY 2010 State Management Review of the California Department of Transportation (Caltrans). This review assessed the management and implementation of Section 5309, 5310, 5311, 5316, and 5317 programs to ensure that they are administered in accordance with FTA requirements and meet program objectives.

The final report finds that Caltrans meets the statutory and administrative requirements of the Federal Transit Administration programs in 15 of the 25 areas reviewed. Deficiencies remain in ten areas: Program Management, Grant Administration, Selection and Eligibility, Financial Management, Satisfactory Continuing Control, DBE, Title VI, Drug-Free Workplace, ITS Architecture, and ARRA. We are confident that these deficiencies will be corrected within the timeframe established in the Final Report.

Thank you and your staff for your cooperation and assistance during this state management review since we realize that the review has involved effort, time and planning. If you have any questions concerning the review or the documentation required, please contact Audrey Bredehoft at (415) 744-2597 or audrey.bredehoft@dot.gov.

Sincerely,


Leslie Rogers
Regional Administrator

cc: Kimberly Gayle, Caltrans
Audrey Bredehoft, FTA
John Potts, DMP

Enclosure

FINAL REPORT

**Fiscal Year 2010
STATE MANAGEMENT REVIEW**

of the

**California Department of Transportation
(Caltrans)
Sacramento, CA
Recipient ID: 1622**

**Desk Review: January 12 - 13, 2010
Site Visit: April 12 - 15, 2010**

May 2010

**Prepared for the
Federal Transit Administration
Region IX
San Francisco, CA**

by

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I. REVIEW BACKGROUND

State Management Reviews assess state management practices and program implementation of the Metropolitan Planning and State Planning and Research programs (49 U.S.C. 5305), Capital Investment Program (49 U.S.C. 5309), Elderly Individuals and Individuals with Disabilities Program (49 U.S.C. 5310), Nonurbanized Area Formula Program (49 U.S.C. 5311), Job Access and Reverse Commute Program (49 U.S.C. 5316), New Freedom Program (49 U.S.C. 5317), and the American Recovery and Reinvestment Act of 2009 to ensure that the programs are administered in accordance with Federal Transit Administration (FTA) requirements and are meeting program objectives. The reviews, as discussed in FTA circulars 9040.1F, 9070.1F, 9050.1, and 9045.1, are performed every three years or as circumstances warrant.

This Report presents the findings from the State Management Review of the California Department of Transportation (Caltrans). This Review was performed in accordance with FTA procedures and included preliminary review of documents on file at the Region IX Office in San Francisco, CA and on-site discussion and review of the procedures, practices, and records of the state as deemed necessary. The Review concentrated primarily on procedures and practices employed since the last Review, however, coverage was extended to earlier periods as needed to assess the policies in place and the management of grants. During the Site Visit, administrative and statutory requirements were discussed, documents were reviewed, and subrecipients were visited and interviewed. Specific documents examined during the Review are available in FTA's and Caltrans's files.

II. REVIEW PROCESS

The Desk Review was conducted in the Region IX Office on January 12 – 13, 2010. Following the Desk Review, a Review Package was sent to Caltrans advising it of the Site Visit and indicating additional information that would be needed and issues that would be discussed.

The Site Visit to Caltrans occurred on April, 12 – 15, 2010. The individuals participating in the Review are listed in Section VI of this report.

At the Entrance Conference, the purpose of the Review and the Review process were discussed. During the Site Visit, FTA statutory and administrative requirements were discussed and documents were reviewed. Two subrecipients, the Yuba-Sutter Transit Authority in Marysville (Section 5311, Section 5316, and Section 5317 subrecipient) and the Work Training Center (WTC) in Chico (Section 5310 subrecipient) were visited and interviewed.

Upon completion of the Review, an Exit Conference was held with Caltrans staff to discuss findings, corrective actions and schedules. This information is summarized in the table in Section V of this report. A draft copy of this Report was provided to Caltrans at the exit conference.

III. DESCRIPTION OF THE GRANTEE

Caltrans has been designated by the Governor of California to administer the FTA public transportation programs. Caltrans has six primary Divisions: Aeronautics, Highway Transportation, Mass Transportation, Transportation Planning, Administration and the Equipment Service Center. Responsibility for administering the FTA public transportation programs has been assigned to the Division of Mass Transportation located in the Caltrans Headquarters Office in Sacramento.

The Division of Mass Transportation (DMT) is responsible for the administration of the FTA Section 5310, Section 5311 (rural capital & operating), Section 5311f, Section 5316 (Job Access and Reverse Commute – JARC), and Section 5317 (New Freedom) programs for the state. DMT provides technical assistance to agencies responsible for public transportation services, which includes buses, demand-responsive accessible services for the elderly and disabled, rural transit, commuter and urban rail services, and waterborne ferry operations.

Within DMT, responsibility for the 5311 program is in the Rural and Small Transit Branch. The Rural and Small Transit Branch is responsible for the implementation, administration, and all related financial transactions of the FTA Section 5311 program. Responsibilities include establishing policies and procedures, performing contract administration, project monitoring and ensuring program compliance. Rural and Small Transit staff also works with Caltrans District transit staff in the Department's 11 district offices. The responsibility of the District transit staff is to provide technical assistance to local transit agencies and operators, transportation planning agencies (TPAs) and other stakeholders. There are 177 Section 5311 subrecipients including 168 public agencies, three Indian tribes, one private for profit agency and three private non-profit entities. The services provided are fixed route, deviated fixed route and demand response services. The Division of Accounting (DOA) encumbers funds and processes payments.

Within DMT, responsibility for the Section 5310 program is in the Elderly and Disabled Specialized Transit Branch. There are 233 active subrecipients of section 5310 funding in FY 2009. There are 1,167 FTA-funded vehicles in operation that had remaining federal interest, and Caltrans has funded approximately 232 new vehicles annually over the previous three years. The State had elected to limit section 5310 grants to capital purchases only. This policy was adopted based on historical demand for funding of capital items, which has consistently been two to three times greater than the annual available funds. Although FTA Circular 9070.1F indicates states may use up to ten percent of the State's total fiscal year apportionment for Section 5310 grants, California state law Assembly Bill 772 (Chapter 669, Statutes of 1996) has limited the state's administrative costs to five percent.

There are 39 active subrecipients of Section 5316 funding. There are 35 recipients of Section 5317 funding. For both programs, the subrecipients provide fixed route, deviated fixed route, and demand response services. With the Section 5316

funding, Caltrans also expanded commuter service, expanded service hours and days, provided express transit service, provided low income employee transit service, provided a midday shuttle service, and acquired ITS equipment. With the Section 5317 funding, Caltrans also made accessibility improvements and bus stop improvements, procured ITS equipment, promoted and increased volunteer driver programs, provided senior shuttle service and travel training.

DMT responsibilities include, but are not limited to, the following activities:

- Interpret Federal and State regulations and guidelines
- Develop and update program documents, including the grantee application, evaluation criteria and State Management Plan
- Provide technical assistance to applicants, grantees, and regional agencies
- Develop annual program timelines
- Solicit applications
- Conduct statewide application workshops
- Verify eligibility of applicants and proposed projects
- Verify scoring of applications and resolve discrepancies
- Coordinate and participate on the State Review Committee
- Develop funding list and Program of Projects
- Analyze results of funding cycle
- Prepare and submit annual Federal Grant Applications
- Prepare and submit updated Federal Grant Application for grants in which funds are reprogrammed and expended
- Process Federal flexible funding requests
- Verify and maintain record of grantee compliance with insurance and reporting requirements
- Provide assistance and follow-up on identified issues regarding grantee compliance with standard agreement
- Useful life disposition of equipment
- Transfer of vehicles
- Maintain grantee and program files
- Participate and act as liaison with other partners, including California Transportation Commission and Regional Transportation Planning Agencies
- Monitor grantee quarterly reports of vehicle and equipment usage, mobility management and operating performance measures.
- Analyze data and identify issues relevant to grantee compliance with approved standard agreement
- Biennial on-site inspections
- Review regional Coordinated Plans and provide comments

Caltrans has completed a number of noteworthy projects in the past three years. DMT and nine rural counties in Northern California conducted a Google Transit Study and pilot project implementation. Shasta County Regional Transportation Planning Agency (Shasta RTPA) was the lead agency for the feasibility study to determine if

Internet transit trip planning services are possible for the nine rural California counties. In 2009, the project was completed and internet rural transit trip planning services were implemented for four counties. In 2010, the next phase of the project was to incorporate the remaining counties into the Google Transit trip planning tool. This project was federally funded through Caltrans Section 5311 program in Phase I and funded with transit planning funds in Phase II.

Caltrans had requested funds on behalf of Nevada County through a Section 5309 grant that had been approved under SAFETEA-LU. The funds are to be used for the construction phase of the project once the preliminary engineering and environmental work had been completed. Construction is scheduled to begin in the summer 2010 for the Gold Country Stage Transit Transfer Center in Grass Valley.

Caltrans had two active ARRA grant totaling almost \$35 million in funding. Projects funded by that grant include:

- Facility construction and/or renovation
- 24 ITS projects
- Replacement vehicles: 93 buses, four trolleys, two vans, and three sedans/station wagons
- Expansion vehicles: 14 buses, three trolleys, and eight sedans/station wagons
- Bus Park and Ride Lot
- 42 Bus shelters
- Construction/ rehabilitation of intermodal terminals
- Funding for preventive maintenance

IV. RESULTS OF THE REVIEW

This State Management Review focused on Caltrans' compliance in 25 areas. This section provides a discussion of the basic requirements and findings in each area. No deficiencies were found with the FTA requirements in 15 areas. Deficiencies were found in 10 areas: Program Management, Grant Administration, Selection and Eligibility, Financial Management, Satisfactory Continuing Control, DBE, Title VI, Drug-Free Workplace, ITS Architecture, and ARRA.

1. Program Management

Basic Requirement: The state must be able to manage the FTA funded programs in accordance with the grant application, grant agreement, and all applicable laws and regulations using sound management practices.

Finding: During this Review of Caltrans, deficiencies were found with FTA requirements for Program Management. The current Section 5311 State Management

Plan (SMP) did not adequately address all the required areas specified in FTA Circular 9040.1F. The Caltrans Section 5311 SMP provided during the Review was entitled *State of California Division of Mass Transportation State Management Plan FTA Non-Urbanized Area Formula Program (Section 5311)*, September 2007. Specifically, the Civil Rights section of the SMP only addressed Title VI and did not address EEO or DBE. The language in the Charter Service Operations section was outdated because it still included the “willing and able” language. The sections on Roles and Responsibilities, Coordination, Funds Transfer, and Project Selection Criteria and Distribution of Funds were not consistent with the current practices described by Caltrans during the site visit.

Caltrans did not have the proper force account plan and justification to support its Preventive Maintenance projects. The Caltrans ARRA grant, CA-86-X001, had 30 projects and \$6,015,722 in FTA funding for Preventive Maintenance. Sixteen of the Preventive Maintenance projects had budgets that exceeded \$100,000. Caltrans grant numbers CA-18-X025 and CA-18-X028 each had a Preventive Maintenance project for Santa Clara VTA for \$155,250 and \$255,880, respectively. Caltrans had not determined which of its Preventive Maintenance projects would require a force account plan and had not developed any force account plans for the appropriate Preventive Maintenance projects.

Caltrans did not have adequate resources to manage its FTA Programs. A key indicator of the lack of adequate staff and resources were increases in delays in submission of required reports to FTA. A review of Caltrans’ Milestone and Financial Reports for its active grants revealed that they were submitted late or not at all, they did not contain most of the required information, and, in the case of Financial Reports, were being submitted incorrectly (e.g., incorrect calculations of unliquidated obligations, incorrect information on the recipient share of unliquidated obligations). During the site visit, Caltrans provided information that showed that it had consistently requested extensions of time to complete its NTD reporting. Another key indicator is the level of subrecipient on-site monitoring. The Caltrans Section 5311 SMP required subrecipient on-site monitoring on an annual basis. During the Review, Caltrans did not document that it had performed its Section 5311 on-site subrecipient monitoring on an annual basis.

Following the issuance of the Draft Report, Caltrans requested additional time, from August 16, 2010 to March 16, 2011, to update the State Management Plan and to develop a plan to perform monitoring of its Section 5311 subrecipients. FTA will allow the additional time.

Corrective Actions and Schedule: Caltrans must submit to the FTA Region IX Office, not later than August 16, 2010:

- A force account plan and justification for its Preventive Maintenance projects that exceed \$100,000, as detailed in FTA Circular 5010.1D.

- Documentation that it has sufficient resources and staff to administer its FTA programs.

Caltrans must submit to the FTA Region IX Office, not later than March 16, 2011:

- A final State Management Plan for its Section 5311 program that includes all the required areas and reflects the public comment process.
- A schedule and plan to perform monitoring of its Section 5311 subrecipients consistent with its SMP.

2. Grant Administration

Basic Requirement: The state must certify to FTA that it will comply with applicable Federal requirements and that each subrecipient has met all statutory and program requirements before expending Federal funds on a project. The state must develop and implement grant administration procedures to track and report on the progress of projects, expend grant funds timely, and close out projects and grants when project activity is completed.

Findings: During this Review of Caltrans, deficiencies were found with FTA requirements for Grant Administration. Caltrans did not submit its Milestone Progress Reports (MPR) in a complete manner. According to FTA's electronic grant system, TEAM, Caltrans submitted the MPRs for 2009 late. Caltrans was required to submit its MPRs annually, no later than October 31st of each year. Of the four grants reviewed, CA-16-0052, CA-18-X 020, CA-37-X 073 and CA-86-X 001, none of the MPRs were submitted prior to December 20, 2009. Caltrans did request and received approval for an extension of time to submit the MPRs. However, many of the MPRs were missing required information, including: budget revisions for changes in the line item budgets, discussion of budget or schedule changes, and discussion of unforeseen events that have affected project schedule, cost, or purpose.

Caltrans did not submit its Federal Financial Reports (FFRs) correctly or on time. According to TEAM, Caltrans submitted the FFRs for 2009 late. Caltrans was required to submit its FFRs annually, no later than October 31st of each year. Of the four grants reviewed, CA-16-0052, CA-18-X 020, CA-37-X 073 and CA-86-X 001, the FFRs were not submitted until December of 2009.

Caltrans did not correctly calculate unliquidated obligations in its FFRs. In addition, Caltrans was not correctly accounting for the Recipient Share of Expenditures in its FFRs. Consequently, the calculations in "Total Expenditures" and "Total Unliquidated Obligations" of the FFRs were incorrect.

Corrective Actions and Schedule: Caltrans must correct its MPRs and FFRs for all active grants in the TEAM system, for the period ending June 30, 2010. The MPRs

must contain all the required information. The FFRs must properly calculate unliquidated obligations.

3. Selection and Eligibility

Basic Requirement: States and subrecipients must be eligible under the specific requirements of the FTA programs and have the legal, financial, and technical capacity to carry out the proposed program of projects.

Finding: During this Review of Caltrans, deficiencies were found with FTA requirements for Selection and Eligibility. Caltrans did not provide documentation that it ensures that its Section 5311 subrecipients that are operating in both urbanized and nonurbanized areas to which it provides operating assistance are properly allocating the costs and seeking reimbursement for eligible costs. Caltrans has 177 Section 5311 subrecipients, many of which are also direct recipients of FTA Section 5307 operating assistance.

Following the issuance of the Draft Report, Caltrans requested additional time, from August 16, 2010 to March 16, 2011, to review current documents, implement new procedures on monitoring and train headquarters and district transit representative staff in this area. FTA will allow the additional time.

Corrective Actions and Schedule: Caltrans must submit to the FTA Region IX Office, not later than March 16, 2011, procedures for ensuring that subrecipients operating in both urbanized and nonurbanized areas are properly allocating costs.

4. Financial Management

Basic Requirement: The state must have the financial capacity to carry out the FTA programs. The state expends and accounts for Federal funds in accordance with state laws and procedures for expending and accounting for state funds. The state must have annual single audits conducted and resolve program related findings.

Finding: During this Review of Caltrans, deficiencies were found with FTA requirements for Financial Management. Caltrans had not accurately tracked the grant balances. The Common Rule requires that states have fiscal control and accounting procedures sufficient to permit preparation of required reports. During the site visit, grant CA-18-X020, initially awarded in 2002 for over \$16,000,000, was reviewed. The last drawdown on the grant was in July of 2008. In the 2009 Financial Report submitted in TEAM, Caltrans reported the following:

Transactions:	This Period	Cumulative
Total Federal Funds Auth.		\$16,062,023
Federal Share of Expenditures:	0	\$15,717,550
Recipient Share of Expenditures:	0	\$3,628,088

Total Expenditures:	0	\$19,345,638
Federal Share of Unliq. Oblig.		\$344,473
Recipient Share of Unliq. Oblig.		\$52,979,056
Total Unliquidated Obligations:		\$53,323,529

In the table above, the Federal Share of Unliquidated Obligations is \$344,473. In TEAM, the Project Funds/Status indicated that the unliquidated balance for this grant was only \$185,689. Under the circumstances of this grant, the two numbers should be the same.

During the Site Visit, it was determined that Caltrans had not submitted the SF-SAC form or the Single Audit to the FTA Region IX in accordance with FTA C. 5010.1D, IV, 8.b.

Following the issuance of the Draft Report, Caltrans submitted the A-133 Single Audit Report to the FTA Region IX Office.

Corrective Actions and Schedule: Caltrans must submit to the FTA Region IX Office, not later than August 16, 2010:

- A plan for reconciling the difference between the balances in TEAM and in Caltrans' accounting system and to identify and correct the procedures that allow differences to develop.
- Procedures for having the A-133 Single Audit report, if the single audit contained findings, or SF-FAC, if there are not findings, submitted to the Region IX office within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period.

5. Intercity Bus

Basic Requirement: The state must spend 15 percent of its annual Section 5311 apportionment to support intercity bus service in rural areas unless the governor certifies, after consultation with affected intercity bus service providers, that the intercity bus transportation needs of the state are adequately met.

Finding: During this Review of Caltrans, no deficiencies were found with the FTA requirements for Intercity Bus.

6. Rural Transportation Assistance Program

Basic Requirement: The state must design and implement training and technical assistance programs and other support services to meet the specific needs of transit operators in nonurbanized areas.

Finding: During this Review of Caltrans, no deficiencies were found with FTA requirements for Rural Transportation Assistance Program (RTAP).

7. Satisfactory Continuing Control

Basic Requirement: The state must maintain control over real property, facilities and equipment and ensure that they are used in transit service.

Finding: During this Review of Caltrans, deficiencies were found with FTA requirements for Satisfactory Continuing Control. Caltrans did not maintain adequate control over its Section 5311 facilities and equipment. During the Review, Caltrans could not provide a comprehensive list of all Section 5311 FTA-funded facilities. In addition, the current Section 5311 vehicle records were out-of-date. At the site visit, Caltrans indicated that the Section 5311 equipment records had not been updated in four years.

Following the issuance of the Draft Report, Caltrans requested additional time, from August 16, 2010 to March 16, 2011, to conduct onsite FTA funded assets inventory review in the entire State. This would require visits to 171 Section 5311 subrecipients to verify FTA funded equipment. FTA will allow the additional time.

Corrective Actions and Schedule: Caltrans must submit to the FTA Region IX Office, not later than March 16, 2011, a comprehensive list of all facilities funded with Section 5311 funds and a timetable to update its Section 5311 equipment records.

8. Maintenance

Basic Requirement: States and subrecipients must keep Federally funded equipment and facilities in good operating order and maintain ADA accessibility features.

Finding: During this Review of Caltrans, no deficiencies were found with FTA requirements for Maintenance.

9. Procurement

Basic Requirement: States use their own procurement procedures that reflect applicable state laws and regulations, provided that the process ensures competitive procurement and the procedures conform to applicable Federal law, including 49 CFR Part 18 (specifically 18.36).

Finding: During this review of Caltrans, no deficiencies were found with the FTA requirements for Procurement.

10. Disadvantage Business Enterprise

Basic Requirement: The state must comply with 49 CFR Part 26 to ensure nondiscrimination in the award and administration of DOT-assisted contracts. States also must create a level playing field on which disadvantage business enterprises (DBEs) can compete fairly for DOT-assisted contracts.

Finding: During this Review of Caltrans, deficiencies were found with the FTA requirements for DBE. Caltrans did not submit its FY2010 DBE goal to FTA. Caltrans solicited public comment on the Overall Annual Disadvantaged Business Enterprise (DBE) Goal and Methodology for Federal Fiscal Year 2010 on September 25, 2009, with a comment period until November 10, 2009. The proposed overall goal for the 2010 Federal Fiscal Year was 13.5 percent DBE participation for Federal Highway Administration funded projects and four percent for FTA funded projects.

Following the issuance of the Draft Report, Caltrans submitted to the FTA Region IX Civil Rights Officer its annual overall DBE goal for FY 2010.

Corrective Actions and Schedule: Caltrans must submit to the FTA Region IX Civil Rights Officer, not later than August 16, 2010, a procedure to ensure that future goals will be submitted by the deadline established by FTA.

11. Buy America

Basic Requirement: Federal funds may not be obligated unless steel, iron, and manufactured products used in FTA funded projects are produced in the United States. The only exceptions are if FTA has granted a waiver or if the product is subject to a general waiver. Rolling stock must have sixty percent domestic content. Also, final assembly of rolling stock must take place in the United States and grantees must conduct a pre-award and post-delivery audit for purchases of rolling stock in order to verify that the 60 percent domestic content and final assembly requirements were met.

Finding: During this Review of Caltrans, no deficiencies were found with FTA requirements for Buy America.

12. Debarment and Suspension

Basic Requirement: To protect the public interest from and prevent fraud, waste, and abuse in Federal transactions, persons or entities, which by defined events or behavior, potentially threaten the integrity of Federally administered non-procurement programs are excluded from participation in FTA assisted programs.

Finding: During this Review of Caltrans, no deficiencies were found with FTA requirements for Debarment and Suspension.

13. Lobbying

Basic Requirement: Recipients of Federal grants and contracts exceeding \$100,000 must certify compliance with restrictions on lobbying before they can receive funds.

Finding: During this Review of Caltrans, no deficiencies were found with FTA requirements for Lobbying.

14. Planning and Coordination

Basic Requirement: The state must participate in the transportation planning process in accordance with FTA requirements, SAFETEA-LU, and the statewide and metropolitan planning regulations. Grantees must develop and or participate in a locally developed, coordinated public transit-human services transportation plan that identifies the transportation needs of individuals with disabilities, older adults, and people with low incomes; provides strategies for meeting those local needs; and prioritizes transportation services for funding and implementation. Each recipient of a Section 5307 grant shall have complied with the public participation requirements of Section 5307(c)(1) through (7). Each Section 5307 grantee is required to develop, publish, afford an opportunity for a public hearing on, and submit for approval a program of projects (POP).

Finding: During this Review of Caltrans, no deficiencies were found with FTA requirements for Planning and Coordination.

15. Title VI

Basic Requirement: The grantee must ensure that no person in the United States shall, on the grounds of race, color, or national origin, be excluded from participating in, or be denied the benefits of, or be subject to discrimination under any program, or activity receiving Federal financial assistance. The grantee must ensure that Federally supported transit services and related benefits are distributed in an equitable manner.

Finding: During this Review of Caltrans, deficiencies were found with FTA requirements for Title VI. Caltrans had not developed a Title VI Program that conforms to the requirements of FTA Circular 4702.1A. During the Review, Caltrans provided its *California Department of Transportation Title VI Program Simple Justice March 2002*. The Program did not include the all of the requirements of FTA Circular 4702.1A. At the Site Visit, Caltrans indicated that its most recent Title VI Program submittal to the FTA Region IX Civil Rights Officer in December 2008 was its Title VI *Annual Element* that is developed annually pursuant to the 2002 Program.

Corrective Actions and Schedule: Caltrans must submit to the FTA Region IX Civil Rights Officer, not later than August 16, 2010, a Title VI Program that conforms to FTA Circular 4702.1A.

16. Americans with Disabilities Act

Basic Requirement: Titles II and III of the Americans with Disabilities Act of 1990 (ADA) provide that no entity shall discriminate against an individual with a disability in connection with the provision of transportation service. The law sets forth specific requirements for vehicle and facility accessibility and the provision of service, including complementary paratransit service.

Finding: During this Review of Caltrans, no deficiencies were found with FTA requirements for ADA.

17. Charter Bus

Basic Requirement: FTA grantees are prohibited from using Federally funded equipment and facilities to provide charter service if a registered private charter operator expresses interest in providing the service. Grantees are allowed to operate community based charter services excepted under the regulations.

Finding: During this Review of Caltrans, no deficiencies were found with FTA requirements for Charter Bus.

18. School Bus

Basic Requirement: Grantees are prohibited from providing exclusive school bus service unless the service qualifies and is approved by the FTA Administrator under an allowable exemption. Federally funded equipment or facilities cannot be used to provide exclusive school bus service. School tripper service that operates and looks like all other regular service is allowed.

Finding: During this Review of Caltrans, no deficiencies were found with FTA requirements for School Bus.

19. Drug-Free Workplace

Basic Requirement: Grantees are required to maintain a drug-free workplace for all employees and to have an ongoing drug-free awareness program.

Finding: During this Review of Caltrans, deficiencies were found with FTA requirements for Drug-Free Workplace. During the Review, Caltrans provided *Deputy Directive DD-08-R2, Subject: Drug-Free Workplace, Effective Date October, 2007*, which contained Caltrans most recent Drug-Free Workplace Policy. The Policy did not contain the language that "if convicted of a drug statute violation that occurred in the workplace, all employees are to report it to the employer in writing no later than five calendar days after such a conviction."

Corrective Actions and Schedule: Caltrans must submit to the FTA Region IX Office, not later than August 16, 2010, a revised Drug-Free Workplace Policy that contains all the required elements.

20. Drug and Alcohol Program

Basic Requirement: Grantees receiving Urbanized Area Formula Program (Section 5307), Nonurbanized Area Formula Program (Section 5311), or Capital Investment Program (Section 5309) funds must have a drug and alcohol testing program in place for all safety-sensitive employees.

Finding: During this Review of Caltrans, no deficiencies were found with FTA requirements for Drug and Alcohol Program.

21. Equal Employment Opportunity

Basic Requirement: The state must ensure that no person in the United States shall on the grounds of race, color, religion, national origin, sex, age, or disability be excluded from participating in, or denied the benefits of, or be subject to discrimination in employment under any project, program, or activity receiving Federal financial assistance from the Federal transit laws. (Note: The Equal Employment Opportunity Commissions regulation only identifies/recognizes religion and not creed as one of the protected groups.)

State DOTs that do not operate mass transportation services submit equal employment opportunity (EEO) programs to the Federal Highway Administration (FHWA) (with a copy to FTA), which has the lead responsibility for reviewing and approving them. FTA reviews these programs to ensure that the state is providing EEO to the transit-related work force. State DOTs and other state agencies that operate mass transportation service submit EEO plans to FTA.

Finding: During this Review of Caltrans, no deficiencies were found with FTA requirements for EEO.

22. National Transit Database

Basic Requirement: Grantees that receive Section 5307 and 5311 grant funds must collect, record, and report financial and non-financial data in accordance with the Uniform System of Accounts (USOA) and updated with the *National Transit Database (NTD) Reporting Manual* as required by 49 USC 5335(a).

Finding: During this review of Caltrans, no deficiencies were found with FTA requirements for NTD.

23. Safety and Security

Basic Requirement: Under the safety authority provisions of the Federal transit laws, the Secretary has the authority to investigate the operations of the grantee for any conditions that appear to create a serious hazard of death or injury, especially to patrons of the transit service. States are required to oversee the safety of rail fixed guideway systems through a designated oversight agency, per 49 CFR Part 659, Rail Fixed Guideway Systems, State Safety Oversight.

Under security, a list of 17 Security and Emergency Management Action Items has been developed by FTA and the Department of Homeland Security's Transportation Security Administration (TSA). This list of 17 items, an update to the original FTA Top 20 security action items list, was developed in consultation with the public transportation industry through the Mass Transit Sector Coordinating Council, for which the American Public Transportation Association (APTA) serves as Executive Chair. Security and Emergency Management Action Items for Transit Agencies aim to elevate security readiness throughout the public transportation industry by establishing baseline measures that transit agencies should employ.

The goal of FTA's Safety and Security Program is to achieve the highest practical level of safety and security in all modes of transit. To this end, FTA continuously promotes the awareness of safety and security throughout the transit community by establishing programs to collect and disseminate information on safety/security concepts and practices. In addition, FTA develops guidelines that transit systems can apply in the design of their procedures and by which to compare local actions. As such, many of the questions in this review area are designed to determine what efforts grantees have made to develop and implement safety, security, and emergency management plans. While there may not be specific requirements associated with all of the questions, grantees are encouraged to implement the plans, procedures, and programs referenced in these questions. For this reason, findings in this area will most often result in advisory comments rather than deficiencies.

Finding: During this Review of Caltrans, no deficiencies were found with FTA requirements for Safety and Security.

24. Intelligent Transportation Systems Architecture

Basic Requirement: Intelligent Transportation Systems (ITS) projects funded by the Highway Trust Fund and the Mass Transit Account must conform to the National ITS Architecture, as well as to United States Department of Transportation (USDOT) adopted ITS standards.

Finding: During this Review of Caltrans, deficiencies were found with FTA requirements for ITS Architecture. During the Review, Caltrans provided a list of 24 ITS projects in Grant Number CA-86-X001 that were being implemented by subrecipients. Several of the projects were not a part of a locally approved Regional ITS Architecture.

Caltrans indicated that it was starting to collect information on whether the projects were part of a locally approved Regional ITS Architecture but lacked the in-house expertise on ITS projects.

Following the issuance of the Draft Report, Caltrans requested additional time, from August 16, 2010 to March 16, 2011, due to state mandated furloughs and ongoing workload to identify each ITS project procured since 2002 in the four federal programs to contact each agency to ensure compliance. FTA will allow the additional time.

Corrective Actions and Schedule: Caltrans must submit to the FTA Region IX Office, not later than March 16, 2011, documentation that its subrecipients' ITS projects are included in a Regional ITS Architecture.

25. American Recovery and Reinvestment Act

Basic Requirement: Grantees must have the legal, financial and technical capacity to carry out the proposed program of projects and meet the additional reporting requirements for American Recovery and Reinvestment Act (ARRA) funded grant activities.

Finding: During this Review of Caltrans, deficiencies were found with FTA requirements for ARRA. Caltrans could not document that it had implemented similar projects in its grants in the past three years, that it had sufficient technical capacity to ensure implementation of the ARRA projects, or that it had the resources to implement the ARRA projects. Caltrans had two active ARRA grants CA-06-X001 for \$1,977,134 and CA-86-X001 for \$33,963,166. The grants included facility construction, 24 ITS projects, 30 Preventive Maintenance projects, and the purchase of as many as 127 vehicles of various types. The ITS projects and Preventive Maintenance projects were relatively new to Caltrans, as evidenced by the deficiencies in ITS Architecture and Program Management on those subjects. Caltrans recently cancelled its most recent State procurement for buses that it was planning to use to facilitate the purchase of many of the vehicles noted above. During the Review, Caltrans indicated that the implementation of the additional ARRA projects had put a strain on its resources. Caltrans indicated that it would be receiving an additional five positions in July, 2010 to assist in implementing the projects.

Corrective Actions and Schedule: Caltrans must submit to the FTA Region IX Office, not later than June 16, 2010, a plan describing how it intends to properly manage and provide oversight of its ARRA funded projects. This plan can include a request for technical assistance from FTA, if necessary.

V. SUMMARY OF FINDINGS AND CORRECTIVE ACTIONS

Review Area	Finding	Deficiency	Corrective Action	Response Due	Date Closed
1. Program Management	D	SMP out of date/incomplete	Caltrans must submit to the FTA Region IX Office a final State Management Plans for its Section 5311 program that includes all the required areas and reflects the public comment process.	March 16, 2011	
		Lacking force account plan/justification	Caltrans must submit to the FTA Region IX Office a force account plan and justification for its Preventive Maintenance projects that exceed \$100,000, as detailed in FTA Circular 5010.1D.	August 16, 2010	
		Inadequate oversight system	Caltrans must submit to the FTA Region IX Office a schedule and a plan to perform monitoring of its Section 5311 subrecipients consistent with its SMP.	March 16, 2011	
		Insufficient resources	Caltrans must submit to the FTA Region IX Office documentation that it has sufficient resources and staff to administer its FTA programs.	August 16, 2010	
2. Grant Administration	D	Late/incomplete program status reports/MRPs	Caltrans must correct its MRPs and FFRs for all active grants in the TEAM system. The MRPs must contain all the required information. The FFRs must properly calculate unliquidated obligations.	July 31, 2010	
		Incorrect FFR reporting			
3. Selection and Eligibility	D	Insufficient monitoring of rural/urban cost allocation	Caltrans must submit to the FTA Region IX Office procedures for ensuring that subrecipients operating in both urbanized and nonurbanized areas are properly allocating costs.	March 16, 2011	

Review Area	Finding	Deficiency	Corrective Action	Response Due	Date Closed
4. Financial Management	D	Insufficient tracking of grant balances Single audit submissions deficient	Caltrans must submit to the FTA Region IX Office: <ul style="list-style-type: none"> A plan for reconciling the difference between the balances in TEAM-web and its accounting system and to identify and correct the procedures that allow differences to develop. Procedures for having the A-133 Single Audit report, if the single audit contained findings, or SF-FAC, if there are not findings, submitted to the Region IX office within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period. 	August 16, 2010 August 16, 2010	
5. Intercity Bus	ND				
6. RTAP	ND				
7. Satisfactory Continuing Control	D	Inadequate control of real property Inadequate control of equipment	Caltrans must submit to the FTA Region IX Office a comprehensive list of all facilities funded with Section 5311 funds and a timetable to update its Section 5311 equipment records.	March 16, 2011	
8. Maintenance	ND				
9. Procurement	ND				
10. DBE	D	Goal not submitted to FTA	Caltrans must submit to the FTA Region IX Civil Rights Officer a procedure to ensure that future goals will be submitted by the deadline established by FTA.	August 16, 2010	
11. Buy America	ND				
12. Debarment and Suspension	ND				
13. Lobbying	ND				
14. Planning and Coordination	ND				
15. Title VI	D	Other: Program does not comply with circular	Caltrans must submit to the FTA Region IX Civil Rights Officer a Title VI Program that conforms to FTA Circular 4702.1A.	August 16, 2010	
16. ADA	ND				
17. Charter Bus	ND				
18. School Bus	ND				

Review Area	Finding	Deficiency	Corrective Action	Response Due	Date Closed
19. Drug-Free Workplace	D	Policy lacking required elements	Caltrans must submit to the FTA Region IX Office a revised Drug-Free Workplace Policy that contains all the required elements.	August 16, 2010	
20. Drug and Alcohol Program	ND				
21. EEO	ND				
22. NTD	ND				
23. Safety and Security	ND				
24. ITS Architecture	D	Projects not included in Regional ITS Architecture	Caltrans must submit to the FTA Region IX Office documentation that its subrecipients' ITS projects are included in a Regional ITS Architecture.	March 16, 2011	
25. ARRA	D	Insufficient Resources	Caltrans must submit to the FTA Region IX Office a plan describing how it intends to properly manage and provide oversight of its ARRA funded projects. This plan can include a request for technical assistance from FTA, if necessary.	June 16, 2010	

Findings: ND = No Deficiencies; D = Deficient; AC = Advisory Comment; NA = Not Applicable

VI. ATTENDEES

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